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 **BARTON
BRANDS**
ANNUAL REPORT 1974

FINANCIAL HIGHLIGHTS

Year Ended June 30

	1974	1973
Net Sales	\$99,007,000	\$102,131,000
Federal Excise Taxes .	66,656,000	67,995,000
Earnings Before Income Taxes	1,775,000	2,514,000
Provision for Income Taxes	184,000	360,000
Net Earnings	1,591,000	2,154,000
Net Earnings Per Unit of Partnership Interest60	.81

Earnings per unit are based on the weighted average units outstanding in each year.

FINANCIAL POSITION

Total Assets	\$68,169,000	\$ 70,825,000
Total Liabilities	28,677,000	32,134,000
Working Capital	36,261,000	39,815,000
Partners' Equity	39,492,000	38,691,000
Book Value Per Unit of Partnership Interest	14.86	14.57



The Aztec calendar, reproduced on the cover of this report, symbolizes the tradition and high quality of Montezuma tequila.

TO OUR LIMITED PARTNERS:

This report covers the Partnership's first full fiscal year of operations—July, 1973 through June, 1974. For comparison purposes, we have combined the Partnership's first 11 months of operations—August, 1972 through June, 1973 with Barton Brands, Inc.'s final month of operations—July, 1972.

Net earnings of Barton Brands, Ltd. and its consolidated subsidiaries for the year ended June 30, 1974 amounted to \$1,591,000, or 60¢ per unit of Partnership interest, as compared with earnings in the prior 12 months of \$2,154,000, or 81¢ per unit. Net sales amounted to \$99,007,000 in fiscal 1974 compared with \$102,131,000 in the preceding year.

Our net earnings for the latest fiscal year were affected by fourth quarter results. Sales during the quarter were \$24,687,000 compared to \$26,199,000 in the prior year quarter. Several factors brought about a net loss of \$122,000, or 5 cents per unit, for the quarter. These factors included the expiration of a service contract on March 31, 1974 under which the Partnership earned \$257,000, or 10¢ per unit, in the fourth quarter of fiscal 1973 and a special provision for bad debts of \$200,000, or 7½ cents per unit, to reflect a possible bad debt growing out of the insolvency of one of our distributors. In addition, there were heavy marketing expenditures during the quarter, largely in connection with the promotion of our Montezuma tequila.

PARTNERSHIP TAX INFORMATION

The Partnership's net earnings for income tax purposes, approximately 70¢ per unit, exceeded the net earnings for the year ended June 30, 1974 reported above. In accordance with the provisions of our agreement of limited partnership, we will make a cash distribution to partners of 35¢ per unit, payable on October 15, 1974 to partners of record at September 30, 1974. We will also provide each partner with more detailed information as to the Partnership's net taxable income per unit.

While the Partnership reported earnings of 81¢ per unit for its fiscal year ended June 30, 1973, certain inventory costs were deducted for tax purposes, but not for financial reporting purposes, with the result that the Partnership reported a tax loss of 18¢ per unit for that fiscal year. As the aging inventories involved are sold, the Partnership will include such costs in calculating income for financial reporting purposes, but will be required to exclude such costs in calculating income taxable to its partners. This difference in treatment of such costs accounted in large part for the fact that the Partnership's income for tax purposes exceeded its earnings for financial reporting purposes by approximately 10¢ per unit in fiscal 1974.

As is customary, a field agent of the U. S. Internal Revenue Service has conducted an audit of Barton Brands, Inc. This audit included the periods during which the corporation sold its Canadian whisky business to Brown-Forman Distillers Corporation and during which the corporation carried out its liquidation and transferred its assets and business to the Partnership. The agent has reviewed the transactions during these periods and has asserted certain deficiencies in the corporation's tax returns for these periods, some of which could be material if sustained.

In addition, the agent has filed a request for technical advice with the Commissioner of Internal Revenue, asking whether Barton Brands, Ltd. and Barton Brands (Western), Ltd. should be classified as associations taxable as corporations. In ruling letters issued in 1972, the Commissioner of Internal Revenue had determined that both partnerships should be classified as partnerships for Federal income tax purposes. The agent has not asserted that any of the representations upon which the rulings were based reflected any inaccurate statement of material facts or that the transactions were not carried out substantially as proposed. We believe that the applicable Revenue Procedures require that the rulings be applied.

For information concerning Canadian income taxes, see Note 7 to the consolidated financial statements included in this Annual Report.

MARKETING PROGRESS

Barton's domestic and international marketing efforts have been and are being strengthened. The domestic marketing division, in particular, has been reorganized and strengthened with the addition of new, experienced people brought in from the outside.

In recent months we have established a product management system and hired a research director in a planned program to stimulate sales of mature brands and to introduce new products.

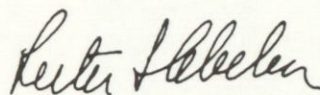
Our House Of Stuart Yellow Cap promotion is an example of the projects under way to help improve our business. This promotion was tested in the latter part of fiscal 1974. The results indicate that we have a unique promotional device which will increase sales and profits. We plan to use this promotion on an extended basis in fiscal 1975.

As stressed in our interim reports this year, tequila is a rapidly expanding new product category. We feel certain that our Montezuma brand is becoming established as one of the leaders. This is expected to be supplemented by our new line of canned Montezuma cocktails which are now being test marketed in 10 markets. In addition, a second Barton tequila brand is scheduled for introduction this fall.

This month, Barton introduced Barton's Canadian, a Canadian whisky, and Via D'Oro, a new Italian liqueur. In view of the fact that Barton has a history of sales success with Canadian whisky, we feel confident that our introduction of Barton's Canadian holds much promise.

We see every opportunity for renewed sales and profit growth because of these developments and the continued sales of our Kentucky Gentleman and Very Old Barton bourbons, Barton's QT Light Whiskey and House Of Stuart and Highland Mist Scotch Whiskies.

Any partner wishing a copy of the Partnership's Form 10-K (1974 annual report filed with the Securities and Exchange Commission) may obtain it by writing the Secretary, Barton Brands, Ltd., 200 South Michigan Avenue, Chicago, Illinois 60604, and remitting \$5.00 to defray the cost of copying and postage.



LESTER S. ABELSON
General Partner



OSCAR GETZ
General Partner

Chicago, Illinois
September 20, 1974

STATEMENT OF CONSOLIDATED EARNINGS

YEARS ENDED JUNE 30 (Notes 1 and 5)

	1974	1973
Net Sales (Note 1)	\$99,006,558	\$102,131,057
Cost of Sales (Note 1)	86,411,703	88,210,294
Gross Profit on Sales	12,594,855	13,920,763
Marketing and Administrative Expenses	10,522,471	11,208,601
Operating Income	2,072,384	2,712,162
Other (Income) or Deductions		
Interest expense and amortization of debt discount and expense	1,296,263	1,649,808
Interest income	(771,670)	(1,386,761)
Other income—net	(226,890)	(65,500)
	297,703	197,547
Earnings Before Income Taxes	1,774,681	2,514,615
Provision for Income Taxes (Note 1)	183,970	360,142
Net Earnings (Note 1)	\$ 1,590,711	\$ 2,154,473
Net earnings per unit	\$.60	\$.81

The accompanying notes are an integral part of this statement.

STATEMENT OF CONSOLIDATED PARTNERS' CAPITAL

YEARS ENDED JUNE 30

	1974	1973
Partners' Capital/Stockholders' Equity—Beginning	\$38,691,239	\$49,503,526
Retirement of Preferred Shares	—	(187,500)
Net Earnings—July, 1972	—	77,756
Cash Dividends—6% cumulative preferred stock at \$6.25 per share	—	(11,719)
Stockholders' Equity at July 31, 1972	—	49,382,063
General Partners' Contributions (150 units)	—	3,000
Partners' Capital at August 1, 1972	—	49,385,063
Net Earnings	1,590,711	2,076,717
Cash Distribution—2,658,918 units at \$0.30 per unit	(797,675)	—
Capital Distributions—2,657,830 units at \$4.80 per unit	—	(12,757,584)
Units Issued for Executive Bonus—2,500 units at \$6.00 per unit ..	15,000	—
Units Issued—6,640 units at \$6.22 per unit	41,304	—
Purchase and Cancellation of Partnership Units	(48,350)	(12,957)
Partners' Capital—Ending (Note 4)	\$39,492,229	\$38,691,239

The accompanying notes are an integral part of this statement.



**BARTON
BRANDS**

LTD. (an Illinois Limited Partnership)
and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET JUNE 30

ASSETS	1974	1973
Current Assets		
Cash and commercial paper	\$ 5,244,162	\$ 7,302,441
Receivables		
Trade (less allowance for doubtful accounts— \$434,310 and \$247,383 respectively)	11,120,221	14,100,095
Other	490,818	156,744
Inventories (Note 1)		
Bulk whiskeys (Note 4)	33,724,610	32,083,022
Case goods	3,523,496	2,557,894
Raw materials and supplies	1,167,301	1,477,254
Total current assets	55,270,608	57,677,450
Property, Plant and Equipment (Note 1)		
Land	246,653	259,406
Buildings	4,403,983	4,573,231
Machinery and equipment	6,003,889	5,733,948
	10,654,525	10,566,585
Less accumulated depreciation and amortization	6,667,472	6,257,802
	3,987,053	4,308,783
Other Assets and Prepaid Expenses		
Prepaid expenses and deferred charges	282,310	209,737
Notes receivable—long-term (Note 3)	8,629,353	8,629,353
	8,911,663	8,839,090
	<u>\$68,169,324</u>	<u>\$70,825,323</u>

The accompanying notes

LIABILITIES AND PARTNERS' CAPITAL

	1974	1973
Current Liabilities		
Notes payable—banks	\$ 575,486	\$ 425,506
Current maturities— long-term debt (Notes 3 and 4)	4,464,680	2,839,680
Accounts payable—trade	1,719,869	1,381,567
Accrued liabilities		
Taxes, other than income taxes (including Federal excise tax—Note 1)	9,880,216	11,161,594
Other	1,475,187	1,497,363
U. S. and foreign taxes on income (Note 1)	894,310	556,694
Total current liabilities	19,009,748	17,862,404
Long-Term Debt (Notes 3 and 4)	9,166,680	13,631,360
Deferred Income Taxes (Note 1)	500,667	640,320
Partners' Capital (Note 4)		
Outstanding 1974, 2,657,620 units; 1973, 2,656,418 units	39,492,229	38,691,239
	<u>\$68,169,324</u>	<u>\$70,825,323</u>

are an integral part of this statement.

STATEMENT OF CONSOLIDATED CHANGES IN FINANCIAL POSITION

YEARS ENDED JUNE 30

	1974	1973
SOURCES OF WORKING CAPITAL		
From operations		
Net earnings	\$ 1,590,711	\$ 2,154,473
Charges to earnings not using working capital		
Depreciation and amortization (Note 1)	521,013	554,457
Increase in deferred income taxes (Note 1)	—	300,846
Working capital provided from operations	2,111,724	3,009,776
Decrease in prepaid expenses and deferred charges	—	170,587
Sales of property, plant and equipment—net	134,858	94,939
Issuance of Partnership units	56,304	—
Decrease in notes receivable—long-term	—	8,629,352
Increase in long-term debt	—	7,200,000
General partners' contributions	—	3,000
Total	2,302,886	19,107,654
USES OF WORKING CAPITAL		
Decrease in long-term debt	4,464,680	10,975,680
Increase in prepaid expenses and deferred charges	72,573	—
Cash distributions	797,675	12,757,584
Additions to property, plant and equipment—net	334,141	162,924
Decrease in deferred income taxes	139,653	—
Purchase and cancellation of Partnership units	48,350	12,957
Retirement of preferred shares	—	187,500
Dividends paid	—	11,719
Total	5,857,072	24,108,364
(DECREASE) IN WORKING CAPITAL	\$ (3,554,186)	\$ (5,000,710)
INCREASES (DECREASES) IN WORKING CAPITAL COMPONENTS		
Cash and commercial paper	\$ (2,058,279)	\$ 1,849,270
Receivables	(2,645,800)	(4,169,885)
Inventories	2,297,237	(2,577,312)
Net (decrease) in current assets	(2,406,842)	(4,897,927)
Notes payable—banks	149,980	323,887
Current maturities—long-term debt	1,625,000	(2,896,000)
Accounts payable—trade	338,302	149,886
Accrued liabilities	(1,303,554)	3,006,440
Federal and state taxes on income	337,616	(481,430)
Net increase in current liabilities	1,147,344	102,783
(DECREASE) IN WORKING CAPITAL	\$ (3,554,186)	\$ (5,000,710)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1974 and 1973

(1) Summary of Significant Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of the Partnership and its subsidiaries, all of which are wholly-owned.

Financial data of the European subsidiaries (substantially United Kingdom) included in the statements for the years ended June 30, 1974 and 1973 are highlighted below:

	1974	1973
Net assets	\$2,232,052	\$2,123,761
Net sales	3,594,932	4,009,662
Net earnings	108,291	408,810

Foreign currencies have been translated into U. S. dollars as follows:

Current assets (except inventories) and liabilities at respective year end rates;

Inventories and property, plant and equipment at historical rates;

Operating accounts (except depreciation and inventories charged to cost of sales which are at historical rates) at average rates over the respective periods.

For the year ended June 30, 1974 translation of foreign currencies resulted in a charge to earnings of \$43,700 after offsetting the insignificant prior year's unrecognized gain.

Inventories Produced bulk whiskeys are valued principally at average cost (including carrying charges), which is less than market, applied to the whiskey produced during each fiscal year. Purchased bulk whiskeys are valued at the lower of specific identified cost or market. Other inventories are priced at the lower of cost (first-in, first-out or average) or market.

Bulk whiskeys are stored under government bond. Federal taxes on spirits in bond, which constitute a lien on the inventories of such spirits and which are not payable until withdrawal from bond, are not entered as a liability in the accounts until such withdrawal is made.

Because of generally accepted trade practices, inventories of bulk whiskeys have been included in current assets regardless of the aging process period.

Federal Excise Taxes In accordance with generally accepted industry practice, both net sales and cost of sales for the years ended June 30, 1974 and 1973 include Federal excise taxes of approximately \$66,656,000 and \$67,995,000, respectively.

Federal excise taxes included in current liabilities at June 30, 1974 and 1973 are approximately \$9,345,000 and \$10,716,000, respectively.

Earnings Per Unit Earnings per Partnership unit are based upon the weighted average units outstanding during each fiscal period.

Property and Depreciation Property, plant and equipment are stated at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	7 to 33 years
Machinery and equipment	3 to 10 years

Taxes on Income As a partnership, Barton Brands, Ltd. is not subject to Federal income taxes. Instead, each partner will be taxed on his share of the Partnership's taxable income, whether or not distributed, and will be entitled to deduct on his own income tax return his share of any net losses of the Partnership to the extent of the tax basis of his Partnership interest.

The Partnership's net earnings for income tax purposes will differ from the net earnings for the period reported herein. The Partnership's net earnings for each fiscal year will be allocated among the unit holders of record at the end of each fiscal year in proportion to their respective holdings. The earnings of the Partnership's corporate subsidiaries will not be currently taxable to the partners. Earnings before income taxes and the provision for income taxes for the corporate subsidiaries were approximately \$331,000 (\$0.13 per unit) and \$184,000 (\$0.07 per unit) for 1974 and \$859,000 (\$0.33 per unit) and \$360,000 (\$0.14 per unit) for 1973. Consolidated net earnings include Partnership earnings of about \$1,444,000 (\$0.54 per unit) for 1974 and \$1,655,000 (\$0.62 per unit) for 1973. The amount and nature of Partnership earnings which is taxable to the partners is expected to be approximately \$1,860,000 (or \$0.70 per unit). In accordance with the Partnership agreement (which provides that the Partnership shall make annual cash distributions to its partners in an amount equal to not less than 50% of the taxable income of the Partnership in each fiscal year), \$930,000 (\$0.35 per unit) will be distributed to the partners on October 15, 1974.

The Partnership and the partners may be subject to state and local taxes in jurisdictions in which the Partnership may be deemed to be doing business or in which it owns property or other interests.

While the Partnership reported earnings of 81¢ per unit for its fiscal year ended June 30, 1973, certain inventory costs were deducted for tax purposes, but not for financial reporting purposes, with the result that the Partnership reported a tax loss of 18¢ per unit for said fiscal year. As the aging inventories involved are sold, the Partnership will be required to include in its taxable income for such fiscal years the inventory costs involved, with the result that the taxable income in future years may be greater than the Partnership's reported earnings.

Deferred income taxes arise substantially from timing differences of European subsidiaries.

(2) Transfer of Net Assets to Partnership

The transfer of the net assets of Barton Brands, Inc. (the "Corporation") to Barton Brands, Ltd., a limited partnership formed under Illinois law (the "Partnership"),

was approved by the stockholders on June 22, 1972 and accomplished on July 31, 1972. This transfer was made as part of a plan of complete liquidation under Section 337 of the Internal Revenue Code and pertinent sections of the Delaware General Corporation Law. As part of the liquidation plan, in July, 1972, the outstanding preferred stock was redeemed for its par value (\$187,500) plus accrued dividends (\$11,719). On July 31, 1972, 37,743 common shares held in treasury were retired.

Consolidated partners' capital at August 1, 1972 consisted of consolidated stockholders' equity of Barton Brands, Inc. and subsidiaries at July 31, 1972 plus the contributions by the general partners, as follows:

Common shares	\$ 2,657,751
Additional paid-in capital	6,470,829
Contributed capital	1,189,300
Retained earnings	39,064,183
Stockholders' equity at July 31, 1972 ...	49,382,063
General partners' contributions	3,000
Partners' capital at August 1, 1972	<u>\$49,385,063</u>

For tax purposes, the basis of the net assets at July 31, 1972 has been determined to be \$44,613,000 (\$16.79 per unit) which is about \$4,769,000 (\$1.79 per unit) less than the book value of the net assets at that date. The difference is primarily represented by \$5,000,000 of 6% Brown-Forman Distillers Corporation notes held in escrow subject to certain contingencies. These amounts will be realized as taxable income only in the year or years in which released from the escrow. This is not expected to occur for at least two years.

(3) Notes Receivable—Long-Term

Notes receivable—long-term were part of the proceeds from the sale of the Corporation of its Canadian whisky business on August 31, 1971 and are receivable in annual installments of \$4,314,676 on August 31, 1975 and 1976 with interest at 6%.

Of the total \$8,629,353 receivable at June 30, 1974, \$1,502,000 in principal amount of notes due August 31, 1975 has been pledged as security for the 5½% Subordinated Notes.

Collection of the principal amounts of the following notes is subject to escrow restrictions, primarily with respect to Canadian income taxes:

Due August 31, 1975	\$ 685,324
Due August 31, 1976	2,814,676
Total in escrow until December, 1976	<u>3,500,000</u>
Due August 31, 1976 and in escrow until December, 1978	1,500,000
Total in escrow	<u>\$5,000,000</u>

(4) Long-Term Debt and Collateral Pledged

The long-term debt at June 30, 1974 consisted of the following:

Secured Notes, under separate indentures	
7½% due September 1, 1974	\$ 400,000
9¾% due October 15, 1974	1,225,000

7¾% due September 1, 1975	\$ 200,000
10% due October 14, 1977	1,750,000
10% due October 15, 1978	<u>775,000</u>
Total (secured by bulk whiskey inventory in bond at cost of \$6,658,000)	4,350,000
Term loan under Loan Agreement payable in semiannual installments of \$900,000 on January 31 and July 31 through January 31, 1978	7,200,000
5½% Subordinated Notes (under Purchase Agreement—\$750,000 payable on Feb- ruary 1, 1975 and \$752,000 on August 31, 1975 (see Note 3)	1,502,000
Balance due on purchase of Littlemill and Loch Lomond stock payable in annual installments of \$119,680 on October 1, 1974 and 1975	239,360
Euro-Dollar term loan payable in annual installments of \$122,000 on June 28, 1975 and 1976 with interest at a prime related rate	244,000
Loan payable in annual installments of \$48,000 on April 30, 1975 and 1976 with interest at 8% secured by Barton Dis- tilling (Scotland), Limited's assets, except inventories	96,000
Total	<u>13,631,360</u>
Current maturities	4,464,680
Long-term portion	<u>\$ 9,166,680</u>

During November, 1972, the Partnership entered into an agreement with several banks and American National Bank and Trust Company of Chicago, as Agent, providing for \$9,000,000 long-term loan with interest at a rate of ½ of 1% in excess of the prime rate of the Agent from time to time, subject to a maximum average rate of 8%.

The term loan agreement contains certain restrictions relating to, among other things, cash distributions, acquisition of Partnership units and debt limitations. Under the most restrictive provisions, the amount of consolidated partners' capital available for payment of cash distributions was approximately \$2,946,000 at June 30, 1974. Of this amount \$930,000 will be distributed on October 15, 1974. (See Note 1).

(5) Service Contract

Consolidated earnings include approximately \$387,000 and \$794,000 earned during the years ended June 30, 1974 and 1973, respectively, under a service contract which expired on March 31, 1974.

(6) Deferred Compensation

On November 30, 1972, the Partnership entered into agreements concerning two executives of the Partnership under which it agreed, subject to certain conditions, to purchase, at the election of the owners, an aggregate of 33,381 Partnership units owned beneficially by such executives or members of their families. Under the terms of the agreements, the option price (\$15.72 per unit at June 30, 1974) is subject to certain adjustments from time

to time, including reductions for capital distributions. The agreements expire on November 30, 1977.

On November 30, 1972 and August 1, 1973, the Partnership entered into agreements with several key employees under which the employees were granted options to purchase Partnership units or to receive the earnings thereon, as follows:

	Options Granted	
	November 30, 1972	August 1, 1973
Number of units	12,400	3,500
Option price at June 30, 1974	\$10.94	\$6.00

The exercise prices are subject to certain adjustments from time to time, including reductions for Partnership distributions, and are exercisable ratably over the five year period from the respective dates of grant.

To the extent that the above agreements represent compensation to the employees, such compensation cost is being amortized over the agreement periods.

(7) Contingencies

a. Taxes

The Department of National Revenue, Taxation, of Canada has advised Brown-Forman Distillers Corporation that it is the Department's opinion that Brown-Forman's Canadian subsidiary may owe additional income taxes for the years 1970 through 1972, inclusive. Brown-Forman acquired its Canadian subsidiary from Barton Brands, Inc. Under the terms of the sale agreement, which has been assumed by the Partnership, the Partnership has agreed to indemnify Brown-Forman against any liability for Canadian taxes in excess of \$100,000 to the extent of an escrow deposit of \$5,000,000 in principal amount of the notes payable by Brown-Forman to Barton Brands, Ltd. Discussions with the Canadian Department are in progress and no reassessment has yet been made.

A field agent of the U. S. Internal Revenue Service has conducted its customary audit of Barton Brands, Inc. This

audit included the periods during which the corporation sold its Canadian whisky business to Brown-Forman Distillers Corporation and during which the corporation carried out its liquidation and transferred its assets and business to the Partnership. The agent has reviewed the transactions during these periods and has asserted certain deficiencies in the corporation's tax returns for these periods, some of which could be material if sustained.

In addition, the agent has filed a request for technical advice with the Commissioner of Internal Revenue, asking whether Barton Brands, Ltd. and Barton Brands Western, Ltd. should be classified as associations taxable as corporations. In ruling letters issued in 1972, the Commissioner of Internal Revenue had determined that both partnerships should be classified as partnerships for Federal Income Tax purposes. The agent has not asserted that any of the representations upon which the rulings were based reflected any inaccurate statement of material facts or that the transactions were not carried out substantially as proposed. The Partnership believes that the applicable Revenue Procedures require that the rulings be applied.

b. Litigation

In June, 1974, a Louisiana liquor retailer and its related wholesaler filed suit against 31 producers and importers of alcoholic beverages, including the Partnership, 23 Louisiana alcoholic beverage wholesalers, and two trade associations. The complaint alleges that the defendants have been and are engaged in a conspiracy to restrain trade in the sale of alcoholic beverages at wholesale in Louisiana in violation of the antitrust laws through the establishment of exclusive wholesaler franchises and geographic sales territories, refusals to sell to certain Louisiana alcoholic beverage wholesalers, and other acts. In the opinion of the Partnership, the suit, as it relates to the Partnership, is without merit and will not result in any material liability or loss to the Partnership.

AUDITORS' REPORT

Partners of Barton Brands, Ltd.

We have examined the consolidated balance sheet of Barton Brands, Ltd. and Subsidiaries, as of June 30, 1974 and 1973 and the related statements of consolidated earnings, partners' capital and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain foreign subsidiaries whose assets and net sales represent, respectively, 12% of consolidated assets in 1974 and 10% in 1973 and 4% of consolidated net sales in 1974 and 1973. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein insofar as it relates to the amounts included for these subsidiaries is based solely upon such reports.

As discussed more fully in Note 7 to the financial statements, United States and Canadian income tax agencies have raised questions on the taxability of various past transactions, substantially related to the liquidation of Barton Brands, Inc. into Barton Brands, Ltd. In addition,

question has been raised as to the income tax status of Barton Brands, Ltd. as a partnership. We are unable to form an opinion on the adequacy of the income tax liability included in the financial statements because of the tentative status of the issues involved.

In our opinion, based upon our examination and the reports of other auditors and subject to the effect, if any, of the outcome of the income tax matters referred to in the preceding paragraph and in Note 7 to the consolidated financial statements, which could be material, the consolidated financial statements referred to above present fairly the consolidated financial position of Barton Brands, Ltd. and Subsidiaries, at June 30, 1974 and 1973 and the consolidated results of their operations and changes in their financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Alexander Grant & Company

Chicago, Illinois
August 16, 1974

GENERAL PARTNERS

Lester S. Abelson
Oscar Getz
Barton Distilling Associates, Inc.

PRINCIPAL EXECUTIVES

General Manager

M. Carl Johnson, Jr.

Financial

Ralph D. Silver
Chief Financial Executive

Fred R. Mardell
Secretary

Raymond E. Powers
Controller

Operations

Paul L. Kraus
Chief Operations Executive

Marketing and Sales

William M. Getz
Director of Marketing and Sales

Tom O'Shea
Open States Sales Manager

Robert G. Miller
Control States Sales Manager

Sydney A. Weinstock
Division Sales Manager

Robert Godfrey
Division Sales Manager

Lou Morris
Division Sales Manager

Frank Wall
Division Sales Manager

Marvin Wiesenfeld
Division Sales Manager

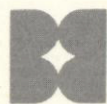
Walter Williford
Division Sales Manager

Bruce T. Curtis
Marketing Manager

Traded: Over-the-Counter
NASDAQ Symbol: **BBRLC**

Transfer Agent

American National Bank and
Trust Company of Chicago



**BARTON
BRANDS**

LTD. (an Illinois Limited Partnership)
and Consolidated Subsidiaries

EXECUTIVE OFFICES

200 South Michigan Avenue
Chicago, Illinois 60604